



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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Mr. Devon Bell, Sheriff-Coroner-Marshall
Placer County Sheriff's Office
2929 Richardson Drive
Auburn, CA 95603

Re: Countywide Procurement Card Program Audit

Dear Sheriff Bell:

The Internal Audit Division of the Auditor-Controller's Office routinely reviews and/or audits the Procurement Card purchases. After completing the monitoring review for the period of January 1 to June 30, 2019, the Internal Audit Division initiated a compliance audit for the period of July 1, 2019 to March 13, 2020. The objective of the audit was to review Procurement Card usage for compliance with County policies and evaluate the administration of the Procurement Card Program for adequate internal controls.

We reviewed a sample of the Sheriff Office's (Office) Procurement Card purchases and related documentation files to ensure the Office's compliance with current policies and procedures, and to determine if adequate internal controls are in place and operating as designed. Based on our monitoring review and compliance audit, we determined there were several instances of non-compliance with County policies and procedures related to Procurement Card purchases, as well as areas where internal controls could be strengthened. Accordingly, our observations and recommendations are as follows.

Observation #1– Unallowable Charges per County Policies

We found numerous instances in which Cardholders used their Procurement Cards to pay for goods and services or personal expenses that are not allowed by County policies. Additionally, reimbursement for some of the transactions were not made timely.

Section 1.3 of the Procurement Card Program Procedures Manual (PCPPM) states, "If the card is used in an unauthorized manner, repayment must be coordinated with the Cardholder Supervisor/Manager and Fiscal staff. Repayment in full for unauthorized use must be made immediately."

Section 3.1.6 of the PCPPM states, "If there are Procurement Card unallowable charges per the applicable policies (e.g. Meals & Travel, Procurement Policy or other related or applicable policies), the Cardholder shall provide payment, as reimbursement, to the Limited Program Administrator. The Limited Program Administrator will deposit the funds to offset the charge."

Refreshments for Normal Day-to-Day County Operations and Routine Staff Meetings

Per the Meals, Lodging, Travel, and Transportation Policy (MLTTP), food and beverages for normal day-to-day County operations or routine staff meetings are not permitted to purchase with public funds.

Example #1: On 12/18/2019, the Cardholder purchased coffee totaling \$35.90 for the field operations staff meeting. Upon auditor's inquiry, the Office explained that the meeting involved staff from other substations which does not occur often. However, this purchase does not meet the criteria noted in the MLTTP that differentiates it from a normal day-to-day County operations or routine staff meetings. Since the Cardholder has retired from the County, we will not be seeking reimbursement.

Example #2: On 1/28/2020, a purchase of \$11.96 was made on the Office's general card (Sheriff South Placer Jail) for refreshments at the staff meeting. Upon auditor's inquiry, the Office explained that the Reviewer approved the purchase based on MLTTP (Miscellaneous Expenses for Meetings and Special Events). However, this purchase does not meet the criteria noted in the MLTTP that differentiates it from a normal day-to-day County operations or routine staff meetings.

Per Section 3.2C¹ of the MLTTP, "public funds may not be expended to purchase beverages and food for normal day-to-day County operations or routine staff meetings."

Service Fee not Related to County Business

Example: Between 10/1/2019 – 10/3/2019, a Cardholder traveled out-of-town to attend the Social for Safety Conference and stayed overnight at a hotel. However, we noted that the hotel bill included a charge for a service fee (e.g., tv service) of \$19.99 which is not related to County business. Upon auditor's inquiry, the Office stated that it was an oversight by the Reviewer and agreed that it is not a business-related expense. Subsequently, the Cardholder reimbursed the County on 4/6/2021.

Section 2.0 of the Procurement Card Policy (PCP) states, "County issued Procurement Cards are authorized for the purpose of conducting County business. The card is strictly for official County use and may not be used for personal purchase or under circumstances that would create a conflict of interest."

Personal Expenses

Example: On 7/27/2019, the Cardholder inadvertently used the Procurement Card for a personal purchase on Ebay which was subsequently reimbursed by the Cardholder. However, the Cardholder reimbursed the County 19 days after the transaction.

Section 2.0 of the PCP states, "County issued Procurement Cards are authorized for the purpose of conducting County business. The card is strictly for official County use and may not be used for personal purchase or under circumstances that would create a conflict of interest."

Recommendation

We recommend the Office collect \$11.96 to reimburse the County for purchasing refreshments for day-to-day County operations or routine staff meetings.

Also, we recommend the Cardholders and Approvers revisit and understand the MLTTP to ensure that Procurement Card purchases are following applicable County policies and procedures. Further, we recommend Cardholders exercise due care when making purchases via a cell phone app or over the

¹ Section 3.2C is now Section 3.2f in the revised MLTTP that was updated on 5/5/2020.

internet to ensure the method of payment is appropriate. By exercising extra caution, this will minimize the chance of accidental use of the Procurement Card for personal expenses.

In addition, we recommend the Office put a system in place to ensure, if a Cardholder uses the Procurement Card for unallowable purchases, that reimbursement to the County is made immediately.

Office's Response:

The Sheriff's Office is currently in the process of collecting \$11.96 to reimburse the County for purchasing refreshments for what was determined to be a routine staff meeting.

During this audit we requested that all Cardholders and Approvers attend an annual training session to revisit and understand the MLTTP and PPM to ensure that Procurement Card purchases are following applicable County policies and procedures.

Observation #2– Unallowable Taxable Meals for Working Two Hours Over Regular Shift

We found that multiple Cardholders from the Office, who also belong to the Deputy Sheriff's Association (DSA) claimed taxable meals for working two or more hours over their regular shift. However, the current Memorandum of Understanding (MOU) for the DSA (which went into effect beginning 7/1/2015) does not contain any language for this type of meal reimbursement.

In May 2020, we discovered the Office's Cardholders were claiming these unallowable taxable meals. We decided to include a review of all taxable meals that were claimed by the Office's DSA employees during May 2017 through May 2020 (three years from date of discovery). Our review identified that a total of 25 DSA employees had unallowable taxable meal expenses totaling \$896.77.

Recommendation

We recommend the Office collect \$896.77 to reimburse the County for the unallowable taxable meal expenses identified above. Going forward, the Approvers and Limited Program Administrators (LPAs) should verify the purpose of the meal expense with the Cardholder and ensure that the Cardholder is only reimbursed for qualified meal expenses that are specified in Section 14.2 (Meal Reimbursement) in the DSA's MOU and Section 3.2 (Meal Policies) in the updated MLTTP (revised in May 2020).

Office's Response:

The Sheriff's Office is currently in the process of collecting \$896.77 to reimburse the County for what was determined to be unallowable taxable meal expenses based on the most recent MLTTP and DSA's MOU. As a result of the initial findings, the Sheriff's Office notified Approvers to revisit the sections in the MLTTP and DSA's MOU to ensure that the Cardholder is only reimbursed for qualified meal expenses. As noted in response #1, all cardholders will attend an annual training to ensure up-to-date information in regards to qualified meal expenses.

Observation #3– Purchases were Approved without Adequate Documentation

We identified numerous instances where the Procurement Card purchases were not supported with adequate documentation. These included:

- Missing Department Head or designee approval for meal allowance expenditures,
- Missing Department Head approval for miscellaneous expense for meetings & special events,
- Missing justification/approval for airport daily or garage lot,
- Missing justification/approval for seat upgrade for flight,
- Last-minute overnight travel costs were not supported with Captain approval,

- Purchase was not supported with the “Missing Receipt” form,
- Supporting documentation was uploaded after the reconciliation period, and
- Lack of detailed description to explain the County business purpose for transaction.

Subsequent to our review, on 2/4/2021, the Department Head provided the delegated authority approval to Captains, Administrative Services Managers, and Lieutenants in charge of their respective divisions/units to approve meals, miscellaneous expenses, travel and transportation as allowed in the MLTTP and DSA MOU.

Section 3.2 of the PCP discusses the accountability of Cardholder and Approver and states, “Cardholders shall review their statement of transactions and provide the appropriate documentation for all purchases. All transactions must be submitted and reviewed by the Cardholder within the defined timeframe for each cycle period..... Approvers shall review the Cardholder’s transactions and confirm that appropriate documentation is provided, the purchase is appropriately budgeted, and in accordance with County policies and procedures. All transactions must include the applicable department accounting information and be reviewed by the Approvers within the defined timeframe for each cycle period.”

Section 3.3 of the PCPPM states the LPA shall “ensure that any needed documentation is attached to each cardholder statement and that the online documentation represents a full and complete summary of all the needed and required documentation to validate the purchases.”

Section 3.1.1 of the PCPPM also states, the Cardholder’s actions include “adding a detailed description and updating the coding for each transaction.”

Section 3.2C² of the MLTTP states, “Department Heads may authorize other miscellaneous expenses (e.g., coffee, non-alcoholic beverages, and food), for special events if, in the opinion of the Department Head, such expenses would be conducive to the efficient conduct of County business, and the cost is reasonable. For example, it may be appropriate to provide beverages and food at board or commission meetings, seminars, and workshops that extend over normal “break” periods, or when it is to the benefit of the County to keep the participants together and not have them disperse for breaks.

Per the DSA’s MOU, the Department Head or designee must authorize all meal allowance expenditures in advance (not after) for travelling on official business (e.g., training/meeting) that results in the employees being more than 30 miles away from his/her primary work location.

Section 3.1A³ of the MLTTP states, “With overnight travel, a Travel Request on Official Business form should be completed with the exception of County staff attending Board of Supervisor meetings in Tahoe (or Auburn, for Tahoe staff).”

Please note that the updated MLTTP went into effect on 5/5/2020, and it added language to include Spend Authorization which now reads, “With overnight travel, a Travel Request on Official Business form or Spend Authorization should be completed with the exception of County staff attending Board of Supervisors meetings in Tahoe (or Auburn, for Tahoe staff). Travel Requests and Spend Authorizations are a means of documenting approval for estimated travel costs, and for the latter, committing the funds.”

² Section 3.2C is now Section 3.2f in the revised MLTTP that was updated on 5/5/2020.

³ Section 3.1A is now Section 3.1a in the revised MLTTP that was updated on 5/5/2020.

Section 3.6B3⁴ of the MLTTP states that parking expenses are “reimbursable at the least costly rate reasonably available (e.g. economy parking lot at the airport).”

Please note that the updated MLTTP went into effect on 5/5/2020, which now states that travel-related expenses are “reimbursable at the least costly rate reasonably available (e.g. economy parking lot at the airport is preferred, however the daily or garage lot might be allowed under certain travel circumstances if approved by the Department Head).”

Page 58 of the Accounting Policies and Procedures Manual (APPM) states, “Expenditures for goods and services must be reasonable and necessary. Reasonable purchases are those for basic goods and services obtained at the lowest possible price.....Services should be the least costly that still perform the required function. Necessary purchases are those required by County departments to fulfill their respective missions.”

Further, Section 3.5a4 (Transportation Policies) of the updated MLTTP states, “Upgrade charges or cancellation fees are only allowable with business purpose justification and under unusual circumstances with department head approval.”

Missing Justification/Approval for Airport Daily or Garage Lot

Example #1: On 8/24/2019, the Cardholder parked at the airport daily lot (\$12/day for four days totaling \$48) while traveling on County business. However, we did not find any explanation included in the supporting documents into Wells Fargo to justify the special circumstance that would require parking at the daily lot and the Approver approved the statement without the supporting documentation. The parking overage is \$8 (\$48 less \$40 four days of economy parking = \$8).

Upon auditor’s inquiry, the Office reached out to the Cardholder and collected \$8 of parking overage on 12/14/2020.

Example #2: On 1/15/2020, a Cardholder parked at the airport daily garage (\$18/day for one day) while traveling on County business. However, we did not find any explanation included in the supporting documents into Wells Fargo to justify the special circumstance that would require parking at the daily garage and the Approver approved the statement without the supporting documentation. The parking overage is \$8 (\$18 less \$10 one day of economy parking = \$8).

Upon auditor’s inquiry, the Office explained that the Reconciler discovered the overage in February 2020 and requested reimbursement from the Cardholder at that time. However, the Office did not hear back from the employee. Subsequently on 3/5/2021, the Cardholder reimbursed the County.

Missing Justification/Approval for Air Travel Upgrades/Fees

Example: On 12/18/2019, the Office’s general card (Sheriff Support Services) was used to purchase Southwest’s Earlybird Check-In for two air travel transactions for staff. However, we did not find any explanation/approval into Wells Fargo to justify the purchase of the early boarding fee totaling \$50 (\$25 x 2 = \$50).

⁴ Section 3.6B3 is now Section 3.4a in the revised MLTTP that was updated on 5/5/2020.

Upon auditor's inquiry, the Office provided additional information regarding the early boarding purchase. Based on the additional justification, we determined that the purchase was related to an extenuating circumstance, and no reimbursement is required.

Recommendation

We recommend Cardholders start the reconciliation process as soon as the purchase cycle has closed to ensure all related documentation are submitted into Wells Fargo within the reconciliation period. If the Cardholders cannot review their statements by the grace period, they must notify their Approver in advance and upload proof of the communication into Wells Fargo. Also, we recommend the Office designate a Reconciler to each Cardholder as the Reconciler can serve as a backup to reconcile and submit Cardholder statements.

Without a detailed description, the Reviewer/Approver cannot determine the legitimate business purpose of the transactions. Therefore, we recommend the Cardholder include a detailed description explaining the County business purpose for the purchase in the "Description" field or on the supporting documents uploaded when he/she reconciles the statement. The description should provide sufficient information about the purpose of conducting County business.

In addition, any additional approval from County Executive Officer, Department Head or designee that is required by County policies and procedures should be uploaded to support the transaction. Further, we recommend the Approvers and LPAs perform a detailed review of the supporting documents to ensure completeness, accuracy, and compliance.

For overnight travel, staff should complete a Travel Request (TR)/Spend Authorization (SA) prior to the travel and upload the approved TR into Wells Fargo or if SA was used, the SA number should be stated in the "Description" field. If the travel is unexpected, the traveler should obtain approval from the Captain before the departure. The approval from the Captain should be uploaded into Wells Fargo to support the travel expense.

Going forward, if a condition or extenuating circumstance exists by the Cardholder which requires airport parking in a lot with a higher rate and upgrade charge for transportation, then the Cardholder must include documentation into Wells Fargo supporting the justification (for the exception) and approval by the Department Head/the County Executive Officer or designee for expenditure exceeding Department Head authorities.

Office's Response:

During this auditing process the Sheriff's Fiscal staff acknowledged the concerns mentioned above and have been working more closely with the Cardholders and Approvers. Cardholders and approvers will improve the reconciliation process by providing more detailed descriptions clearly explaining the County business purpose for the purchase and ensuring Department Head or designee approval is uploaded.

Observation #4– Employee Charged Meal on Procurement Card and Received Per Diem

We found an instance in which an employee traveled overnight to attend a training conference and in essence received meals twice by using the Procurement Card (Sheriff Support Services) while also submitting an employee claim for the meal per diem. The meal transaction occurred on 10/2/2019. Subsequently, the employee reimbursed \$29.50 to the County 47 days after the transaction, but the proof of reimbursement was not uploaded into Wells Fargo until four days after the grace period.

Section 1.3 of the PCPPM states, "If the card is used in an unauthorized manner, repayment must be coordinate with the Cardholder Supervisor/Manager and Fiscal staff. Repayment in full for unauthorized use must be made immediately."

Recommendation

If a Cardholder plans to submit an employee claim for meals during an overnight trip, they should not use the Procurement Card to purchase these meals, but should instead use their own funds to purchase them. Going forward, we recommend the Office verify the employee expense claims against the employee's Procurement Card expenses to ensure that employees are not getting paid twice for meal allowance for overnight travel.

In addition, we recommend the Office put a system in place to ensure, if a Cardholder uses the Procurement Card for unallowed purchases, that reimbursement to the County is made immediately.

Office's Response:

The Sheriff's Office acknowledges the recommendation. Internal procedures and practices will be reviewed and updated to ensure that reimbursement to the County is made immediately upon identifying the unallowed purchased, utilizing notes in the credit card system to advise when notification has been made and reimbursement is in process.

Observations #5– Purchases were Shipped to a Personal/Non-County Business Address

We identified instances in which the Cardholders shipped the purchased items to a personal/non-County business address.

Section 3.2C of the PPM states, "The preferred method of ordering the Small Purchase is to provide the vendor with your County-issued Procurement Card.....Instruct the vendor to ship to the appropriate Department's business or working address. Orders must not be delivered to a third party (non-County business) or a personal address, without express approval from the Department Head."

Example #1: On 10/30/2019, the Cardholder purchased items online from Amazon and shipped the items to her house rather than the work location. However, we did not find the Department Head approval provided into Wells Fargo to support the shipping to a personal address which is required by Procurement Procedures Manual (PPM).

Example #2: On 12/16/2019, the Cardholder purchased front and rear axles and shipped the items to an auto shop in Rancho Cordova, which is not a County business address. However, we did not find the Department Head approval provided into Wells Fargo to support the shipping to a non-County address which is required by the PPM.

Recommendation

We recommend the Cardholders and Approvers revisit and understand the PPM to ensure that Procurement Card purchases are following the County's procurement policies and procedures. If a purchase must be delivered to a non-County business or a personal address, the Cardholder should obtain express approval from Department Head and upload the approval into Wells Fargo.

Office's Response:

As mentioned above, the Sheriff's Office requested that all Cardholders and Approvers attend an annual training session to revisit and understand the PPM to ensure that Procurement Card purchases are following applicable County policies and procedures.

During this audit, we have since updated our internal procedure of obtaining Captain's approval if a purchase must be delivered to a non-County business or personal address.

Observation #6 – Purchase on the Office's General Card was Made by an Individual that was not an Authorized User

We found an instance in which a staff made a purchase on 4/16/2019 on the Office's general card (Sheriff South Placer Jail) for County business. However, the staff that made the purchase was not listed as an authorized user of the Office's general card at the time of the purchase.

Section 2.5 of the PCPPM states, "Departments shall have a process in place where all purchases with a Procurement Card receive appropriate approval."

Section 1.3 of the PCPPM states, "Unauthorized use" means the use of the Procurement Card by any person who does not have authority for such use. Unauthorized use of a Procurement Card can constitute: fraud; willful misuse of public funds; and dishonesty. If the card is used in an unauthorized manner, repayment must be coordinated with the Cardholders Supervisor/Manager and Fiscal staff. Repayment in full for unauthorized use must be made immediately."

Recommendation

The Office should establish internal policies and procedures to ensure that only authorized users have access to the Office's general card. Custodians of the card are responsible for ensuring employees have been authorized to use the card before providing for purchases. Approvers should verify that the purchase was made by an authorized user before approving the statement. The Office should decide whether the card was used in an unauthorized manner and if repayment is necessary.

Office's Response:

The transaction mentioned above was authorized and approved. The Sheriff's Office has since updated the authorized users for the two remaining Office's General Cards. Internal policies have been revised to ensure that only authorized users have access to the Office's General card. The Sheriff's Office has since discontinued the Office's general card in the Sheriff South Placer Jail.

Observation #7 – Incorrect Sales Tax Amount

We found instances in which sales tax was not collected by the merchant and the Cardholders did not enter the correct amount in the "Sales Tax Due" field into Wells Fargo.

Section 2.4 of the PCPPM states, "Documenting sales/use tax for Procurement Card purchases not taxed or taxed incorrectly by the vendor is the responsibility of the Cardholder or assigned department staff. This information needs to be entered in the correct amount into the online system to ensure it is transferred into the County's Accounting System and meets the County's requirement for the Board of Equalization."

Section 3.1.1 (Cardholder Actions) of the PCPPM states, "Sales and use tax should be verified on all purchases to ensure the amount charged is accurate. Guidelines can be found in the County's Accounting Policies and Procedures Manual. If the amount of sales and use tax is incorrect or missing, the description

field will need to begin with ST and the sales tax amount due will need to be corrected or recorded in the Sales Tax Due field for that transaction.”

Section 3.3.2 (LPA Actions) of the PCPPM states, “Ensure that the sales/use tax field is properly recorded as described above under RECORDING SALES AND USE TAX. The Limited Program Administrator is responsible for ensuring accurate Sales and Use Tax reporting for the department.” Further, Section 3.3.7 states, “If sales and use tax was not captured correctly during the Open Statement Cycle, the Limited Program Administrator shall complete the “Procurement Card Supplemental Sales/Use Tax Recap Sheet” and send it to the Auditor-Controller’s Office.”

Example: On 12/16/2019, the Cardholder purchased taxable items totaling \$7,849.98 and shipped the items to Rancho Cordova, CA. Based on the sales tax rate in Rancho Cordova (8.25%), the merchant should have charged \$647.62 ($\$7,849.98 \times 8.25\%$). However, the merchant did not charge any sales tax. Further, when computing the sales tax due amount, the Cardholder incorrectly used Auburn’s sales tax rate (7.25%) and entered \$569.12 in the “Sales Tax Due” field. The correct sales tax due amount should be \$647.62 ($\$7,849.98 \times 8.25\%$ Rancho Cordova’s sales tax rate). Therefore, the Cardholder needs to make a sales tax adjustment of \$78.50 for the transaction.

Recommendation

We recommend Cardholders, Approvers, and LPAs review each Procurement Card purchase and verify that sales tax was applied by the merchant correctly, per the PCPPM, Sections 2.4, 3.1.1, 3.3.2, and 3.3.7. Also, Cardholders, Approvers and LPAs should be aware of when sales tax is applicable. In addition, we recommend the Office fill out the Procurement Card Supplemental Sales/Use Tax Recap Sheet and/or submit invoices with sales tax adjustments totaling \$78.50 to the Auditor-Controller’s Office.

Office’s Response:

The Sheriff’s Fiscal staff acknowledged the concerns mentioned above. Cardholders and Approvers have received additional training and updated practices to improve the verification process to ensure that sales tax is applied correctly. Per the recommendations, corrections were made on the 11/20/20 Sales Tax Supplemental report.

The Office’s responses to the recommendations identified in our audit are included above. We did not audit the responses and accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Office’s staff throughout the course of the audit.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Jerry Rogers, Administrative Services Manager
Katie Orcino, Administrative & Fiscal Officer II
Brett Wood, Purchasing Manager, County Executive Office
Placer County Audit Committee